The Nature Conservancy
Protecting nature. Preserving life.™

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August 31, 2009

Chairman Larry Goulder and Committee Members
Economic and Allocation Advisory Committee
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Chair Goulder and Committee Members,

The Nature Conservancy (TNC) commends the Economic and Allocation Advisory Committee for dedicating its time to advise The California Air Resources Board (CARB) on critical issues related to allowance allocation in a California greenhouse gas emission cap and trade program. We are impressed with the agenda developed by the Committee, as identified at the August 13th meeting, and request that the Committee and subcommittees include the following considerations with respect to natural systems in the analysis and final report to CARB.

1) Assess and include the benefits of dedicating auction revenue to natural systems adaptation

The climate and the public would receive significant returns from investment of allowance auction revenue in natural systems adaptation, and TNC respectfully requests that the EAAC and Allowance Value Provision (AVP) Subcommittee assess the multiple benefits that would result from such an investment (e.g., minimum of 5 percent of auction revenue). Climate change is a significant threat to the survival of our natural systems and the multitude of services they provide to humans, wildlife, and the overall economy. These services include, but are not limited to, climate regulation, water and air quality filtration and protection, fish and wildlife habitat, recreation, forage, pollination and flood control. The ability to ameliorate the impacts on our natural systems will only become more difficult and expensive the longer we wait to make necessary investments.[1] The California Natural Resources Agency recently released its draft adaptation plan,[2] which outlines a number of priority initiatives that the state should undertake to address adaptation for natural systems. TNC recommends that the EAAC and the AVP Subcommittee use this report as a basis for assessing the benefits (i.e., environmental effectiveness and pay offs) and potential harm (i.e., burdens in the absence of investment) that may be avoided by dedicating auction revenue to this issue.

[1] Parry M. et al., *Assessing the Costs of Adaptation to Climate Change*, August 2009, <http://www.iied.org/pubs/pdfs/11501IIED.pdf >, accessed August 31, 2009.
[2] California Natural Resources Agency, *2009 California Climate Adaptation Strategy: Discussion Draft*, <http://www.energy.ca.gov/2009publications/CNRA-1000-2009-027/CNRA-1000-2009-027-D.PDF> accessed August 31, 2009.

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2) Evaluate the benefits of dedicated set aside allowances to counties and local governments to facilitate local GHG reduction targets and biological GHG reductions through land use planning and land conservation

TNC is pleased that the EAAC and the AVP have identified the potential value in including counties and local government in a cap and trade program by providing them with set aside allowances for GHG reduction activities. TNC supports this idea and recommends consideration of their use for biological GHG benefits, in addition to other GHG reduction activities. Counties and local governments have significant influence and control over biological sequestration and emissions through their local land use and government authority (e.g., general plans, ordinances, etc.). For instance, counties may develop a countywide climate plan or general plan that seeks to avoid biological emissions and maintain carbon sequestration capacity by protecting certain open space areas that would otherwise be converted to another use. Alternatively, a local water agency may seek to restore forests to riparian areas to sequester carbon and enhance water quality. To optimize fully the climate benefits that may be derived from the landscape, it is critical to provide incentives to counties and local governments to encourage the development and implementation of plans, projects and policies that lead to biological GHG benefits. Such efforts would also provide many additional public benefits related to water and air quality, local economies, recreation, and fish and wildlife habitat, among others, and complement other state climate policy initiatives like Senate Bill 375.

3) Assess the benefits of forest offset inclusion, domestic and international, in the cap and trade program

To the extent that the EAAC considers offsets in its analysis and recommendations, TNC recommends that consideration be given to the value and benefits of forest-based offsets, both domestic and international. Forest-based offsets can serve as a cost-effective means for capped entities to reach their overall GHG emissions reduction targets, helping to minimize the direct and indirect costs of compliance to capped entities and consumers respectively. The inclusion of these offsets, whether California-based or international, will also facilitate innovation within the forest sector by creating a financial value and new economy for forest conservation and protection (versus traditional extraction of resources), and increasing the awareness and standardized collection of data concerning the climate benefits of forests, as well as the cost of losing or degrading forests. These types of projects also achieve important concurrent benefits for the public including the protection and enhancement of water quality and quantity, air quality, fish and wildlife habitat, and recreation, among others.

TNC appreciates the opportunity to provide comments and hope they will be included in your analysis. We would be happy to provide additional input with respect to any of these suggestions.

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